

nothing for these goods and services, and assured the schools that they would never have to pay for the goods and services. In this way, ANGELIDES and Connect 2 were able to sell E-Rate eligible goods and services to schools across the New York City area with little or no control on the price they charged, and impose the entire cost on the Government.

8. Among the schools through which JOHN ANGELIDES, the defendant, perpetrated this fraudulent scheme were: the Al Noor School, located in Brooklyn, New York; the Saint Rocco Victoria School, located in Newark, New Jersey; the Children's Store Front School, located in Manhattan, New York; schools operated at various times in Brooklyn, the Bronx and Manhattan by the Association for the Help of Retarded Children; the Islamic Elementary School, located in Queens, New York; the Saint John's Lutheran School, located in Glendale, New York; and the Annunciation School, located in the Bronx, New York (collectively, hereinafter, the "Schools").

9. JOHN ANGELIDES, the defendant, and his co-conspirators induced the Schools to participate in the scheme and to hire Connect 2 as their E-Rate Vendor. ANGELIDES also deceived the Government into believing that the Schools had paid their Undiscounted Share by, among other things:

(a) falsely representing to school administrators that the Schools' Undiscounted Share would be covered by "outside

grants" or "outside sources of funding" donated to Connect 2 for that purpose;

(b) asking the Schools to write checks payable to Connect 2 and agreeing not to cash the checks;

(c) asking the Schools to write checks payable to Connect 2 and agreeing to return the money in cash or by check payable to the Schools or their designees;

(d) creating back-dated invoices and other phony billing documents to give the false appearance that Connect 2 billed the Schools for their Undiscounted Share;

(e) concealing communications in which the defendants assured the Schools that they would not have to pay for any of the goods and services being supplied by Connect 2; and

(f) providing school administrators with false and misleading documents designed to conceal the scheme and enable Connect 2 to collect more money from the E-Rate Program.

The Conspiracy

10. From at least in or about the Fall of 1999, through at least in or about October 2002, in the Southern District of New York and elsewhere, JOHN ANGELIDES, the defendant, and others known and unknown, unlawfully, willfully and knowingly did combine, conspire, confederate and agree together and with each other to violate the laws of the United States, to wit, Title 18, United States Code, Sections 287, 1001, and 1343.

The Objects of the Conspiracy

11. It was a part and an object of the conspiracy that JOHN ANGELIDES, the defendant, and others known and unknown, unlawfully, willfully and knowingly, having devised and intending to devise a scheme and artifice to defraud, and for obtaining money and property by means of false and fraudulent pretenses, representations and promises, would and did transmit and cause to be transmitted by means of wire, radio and television communication in interstate and foreign commerce, writings, signs, signals, pictures and sounds for the purpose of executing such a scheme and artifice and attempting so to do, in violation of Title 18, United States Code, Section 1343.

12. It was further a part and an object of the conspiracy that JOHN ANGELIDES, the defendant, and others known and unknown, unlawfully, willfully and knowingly, made and presented to persons and officers in the civil service of the United States and to departments and agencies thereof, claims upon and against the United States and departments and agencies thereof, knowing such claims to be false, fictitious and fraudulent, in violation of Title 18, United States Code, Section 287.

13. It was further a part and an object of the conspiracy that JOHN ANGELIDES, the defendant, and others known and unknown, in a matter within the jurisdiction of the executive and legislative branches of the Government of the United States,

unlawfully, willfully and knowingly, falsified, concealed and covered up by trick, scheme and device material facts, and made materially false and fraudulent statements and representations, and made and used false, fictitious writings and documents knowing the same to contain materially false, fictitious and fraudulent statements and entries, in violation of Title 18, United States Code, Section 1001(a).

Means and Methods of the Conspiracy

14. Among the means and methods by which JOHN ANGELIDES, the defendant, and his co-conspirators carried out the conspiracy were the following:

a. JOHN ANGELIDES, the defendant, and his co-conspirators falsely represented to various School administrators that their Schools' participation in the E-Rate Program would be at no cost to the Schools; and that the Schools' Undiscounted Share would be covered by "outside grants" or "outside sources of funding" donated to Connect 2 for that purpose;

b. JOHN ANGELIDES, the defendant, and his co-conspirators requested that School officials write checks payable to Connect 2 while agreeing not to cash the checks;

c. JOHN ANGELIDES, the defendant, and his co-conspirators requested that School officials write checks payable to Connect 2 while agreeing to return those monies to the Schools or their designees; and

d. JOHN ANGELIDES, the defendant, and his co-conspirators created back-dated invoices and other phony billing documents to give the false appearance that Connect 2 had billed the Schools for their Undiscounted Share;

e. JOHN ANGELIDES, the defendant, and his co-conspirators concealed communications in which they assured the Schools that they would not have to pay for any of the goods and services being supplied by Connect 2; and

f. JOHN ANGELIDES, the defendant, and his co-conspirators attempted to persuade school administrators to lie to government investigators and give them false and misleading documents, in order to conceal the scheme and enable the defendants to collect more money from the E-Rate Program.

Overt Acts

15. In furtherance of said conspiracy and to effect the illegal objects thereof, JOHN ANGELIDES, the defendant, and others known and unknown, committed the following overt acts, among others, in the Southern District of New York and elsewhere:

a. On or about January 13, 2000, JOHN ANGELIDES, the defendant, sent a letter he signed on behalf of Connect 2 by fax communication from Staten Island, New York, to the St. Rocco Victoria School in Newark, New Jersey, stating that the School could participate in the E-Rate Program with "absolutely no cost to the school."

b. In or about January 2000, in New York, New York, JOHN ANGELIDES, the defendant, told an employee of the Association for the Help of Retarded Children that the Association could participate in the E-Rate Program and incur no cost.

c. On or about January 18, 2000, JOHN ANGELIDES, the defendant, signed a letter on behalf of Connect 2 stating to the St. John Lutheran School in Queens, New York, that it could participate in the E-Rate Program with "absolutely no cost to the school."

d. On or about January 18, 2000, JOHN ANGELIDES, the defendant, signed a letter on behalf of Connect 2 advising the Islamic Elementary School in Queens, New York, that it could participate in the E-Rate Program with "absolutely no cost to the school."

e. On or about July 30, 2001, JOHN ANGELIDES, the defendant, sent a fax communication from Staten Island, New York, to a compliance analyst for the E-Rate Program in New Jersey, that falsely represented that ANGELIDES and Connect 2 were acting in compliance with the rules and regulations of the E-Rate Program, and enclosing false, incomplete and misleading documentation to support that false representation.

f. On or about August 30, 2001, JOHN ANGELIDES, the defendant, sent a fax communication from Staten Island, New York, to a compliance analyst for the E-Rate Program in New Jersey,

that falsely represented that ANGELIDES and his company, Connect 2, were acting in compliance with the rules and regulations of the E-Rate Program, and enclosing false, incomplete and misleading documentation to support that false representation.

g. On or about October 10, 2001, JOHN ANGELIDES, the defendant, received approximately \$54,999 from a co-conspirator not named as a defendant herein, as part of a "check exchange" perpetrated to create the misimpression that Connect 2 was acting in compliance with the rules and regulations of the E-Rate Program.

h. On or about November 21, 2001, JOHN ANGELIDES, the defendant, sent a fax communication from Staten Island, New York, to a compliance analyst for the E-Rate Program in New Jersey, that falsely represented that Connect 2 was acting in compliance with the rules and regulations of the E-Rate Program, and enclosed false, incomplete and misleading documentation to support that false representation.

(Title 18. United States Code, Section 371.)

FORFEITURE ALLEGATION

16. As the result of committing the offense of conspiracy to commit wire fraud, in violation of Title 18, United States Code, Section 371 as alleged in Count One of this Information, JOHN ANGELIDES, the defendant, shall forfeit to the United States pursuant to Title 18, United States Code, Sections 981(a)(1)(C), 1956(c)(7) and 1961(1), and Title 28, United States

Code, Section 2461, all property, real and personal, that constitutes or is derived from proceeds traceable to the commission of this offense, including, but not limited to the following:

a. A sum of money equal to approximately \$290,000 in United States currency, representing the amount of proceeds obtained as a result of the offense.

Substitute Assets Provision

b. If any of the property described above as being subject to forfeiture, as a result of any act or omission of any of the defendant --

(1) cannot be located upon the exercise of due diligence;

(2) has been transferred or sold to, or deposited with, a third party;

(3) has been placed beyond the jurisdiction of the court;

(4) has been substantially diminished in value; or

(5) has been commingled with other property which cannot be divided without difficulty;

it is the intention of the United States, pursuant to Title 21,

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

UNITED STATES OF AMERICA

- v -

JOHN ANGELIDES,

Defendant.

INFORMATION

03 Cr.

(Title 18 U.S.C. § 371)

JAMES B. COMEY
United States Attorney.

!



United States Attorney
Southern District of New York

*The Silvio J. Mollo Building
One Saint Andrew's Plaza
New York, New York 10007*

RECEIVED

MAY 28 2003

May 8, 2003

COHEN & GRESSER LLP

Ira Lee Sorkin, Esq.
Carter Ledyard & Milburn LLP
2 Wall Street, 17th Floor
New York, New York 10005

Re: United States v. John Angelides, et al., 03 Cr. __ ()

Dear Mr. Sorkin:

On the understandings specified below, the Office of the United States Attorney for the Southern District of New York ("this Office") will accept a guilty plea from John Angelides ("the defendant") to Count One of the above-referenced Information. Count One charges the defendant with conspiracy to commit wire fraud, to submit false claims and to make false statements, in violation of Title 18, United States Code, Section 371. Count One carries a maximum sentence of 5 years' imprisonment, a maximum fine or the greater of \$250,000 or, pursuant to Title 18, United States Code, Section 3571, twice the gross pecuniary gain derived from the offense, or twice the gross pecuniary loss to persons other than the defendant resulting from the offense, a \$100 special assessment, and a maximum term of 3 years' supervised release. In addition to the foregoing, the Court must order restitution in accordance with Sections 3663, 3663A and 3664 of Title 18, United States Code.

In addition, as part of his plea, the defendant shall admit to the Forfeiture Allegation in the Information and shall agree to forfeit to the United States, pursuant to Title 18, United States Code, Section 982, a sum of money equal to \$290,000, representing the approximate amount of proceeds obtained as a result of the offense charged in Count One of the Information (the "Subject Property"). It is further understood that, in the event that the United States files a civil action pursuant to Title 18, United States Code, Section 981 seeking to forfeit the Subject Property, the defendant will not file a claim with the Court or otherwise contest such a civil forfeiture action and will not assist a third party in asserting any claim to the Subject Property. It

Ira Lee Sorkin
May 8, 2003

is further understood that the defendant will not file or assist anyone in filing a petition for remission or mitigation with the Department of Justice concerning the Subject Property.

In consideration of his plea to the above offenses, neither the defendant nor Connect 2 Internet Networks, Inc., will be further prosecuted criminally by this Office (except for criminal tax violations as to which this Office cannot, and does not, make any agreement) for participating, from in or about the Fall 1999 through in or about October 2002, in a scheme to defraud the Federal Government's E-Rate school and library funding program through the submission of false, fraudulent and misleading claims and statements, as charged in the Information. In addition, at the time of sentencing, the Government will move to dismiss any open Count(s) against the defendant. The defendant agrees that with respect to any and all dismissed charges he is not a "prevailing party" within the meaning of the "Hyde Amendment," Section 617, P.L. 105-119 (Nov. 26, 1997), and will not file any claim under that law.

In consideration of the foregoing and pursuant to Sentencing Guidelines Section 6B1.4, the parties hereby stipulate to the following:

A. Offense Level

1. The Sentencing Guidelines applicable are those in effect as of November 1, 2001.
2. The Guideline applicable to a violation of Title 18, United States Code § 371 is U.S.S.G. § 2X1.1.
3. Pursuant to U.S.S.G. § 2X1.1(a), the base offense level is the base offense level from the Guideline for the substantive offense, plus any adjustments from such Guideline for any intended offense conduct that can be established with reasonable certainty. Because the defendant completed all the acts he believed necessary for the successful completion of the substantive offense, the offense level is not decreased under U.S.S.G. § 2X1.1(b)(2).
4. The substantive offenses are wire fraud, false claims and false statements, in violation of Title 18, United States Code, Sections 1343, 287 and 1001, respectively. The Guideline for each of those offenses is U.S.S.G. § 2B1.1.
5. Pursuant to U.S.S.G. § 2B1.1, the base offense level is 6.
6. Because the loss amount exceeded \$200,000 but was not more than \$400,000, the offense level is increased 12 levels, pursuant to U.S.S.G. § 2B1.1(b)(1)(G).
7. Assuming the defendant clearly demonstrates acceptance of responsibility, to the satisfaction of the Government, through his allocution and subsequent conduct prior to the

Ira Lee Sorkin
May 8, 2003

imposition of sentence, a 2-level reduction will be warranted, pursuant to U.S.S.G. § 3E1.1(a). Furthermore, assuming the defendant has accepted responsibility as described in the previous sentence, an additional 1-level reduction is warranted, pursuant to U.S.S.G. § 3E1.1(b), because the defendant gave timely notice of his intention to enter a plea of guilty, thereby permitting the Government to avoid preparing for trial and permitting the Court to allocate its resources efficiently.

In accordance with the above, the applicable Guidelines offense level is 15.

B. Criminal History Category

Based upon the information now available to this Office (including representations by the defense), the defendant has no criminal history points, and accordingly, the defendant's Criminal History Category is I.

C. Sentencing Range

Based upon the calculations set forth above, the defendant's stipulated sentencing Guidelines range is 18 to 24 months (the "Stipulated Sentencing Range"). In addition, after determining the defendant's ability to pay, the Court may impose a fine pursuant to § 5E1.2. At Guidelines level 15, the applicable fine range is \$4,000 to \$40,000.

D. Other Agreements

The defendant reserves the right to move for a downward departure from the Stipulated Sentencing Range of 18 to 24 months on the basis of "aberrant behavior" pursuant to U.S.S.G. § 5K2.20. The Government reserves the right to oppose that motion. Other than as set forth above, neither party will seek any departure or seek any adjustment not set forth herein. Nor, other than as set forth above, will either party suggest that the Probation Department consider such a departure or adjustment, or suggest that the Court sua sponte consider such a departure or adjustment.

Except as provided in any written Proffer Agreement(s) that may have been entered into between this Office and the defendant, nothing in this agreement limits the right of the parties (i) to present to the Probation Department or the Court any facts relevant to sentencing; (ii) to make any arguments regarding where within the Stipulated Sentencing Range set forth above (or such other range as the Court may determine) the defendant should be sentenced; (iii) to seek an appropriately adjusted Sentencing range if it is determined based upon new information that the defendant's criminal history category is different from that set forth above. Nothing in this agreement limits the right of the Government to seek denial of the adjustment for acceptance of responsibility, see U.S.S.G. § 3E1.1, and/or imposition of an adjustment for obstruction of

Ira Lee Sorkin
May 8, 2003

justice, see U.S.S.G. § 3C1.1, regardless of any stipulation set forth above, should the defendant move to withdraw his guilty plea once it is entered, or should it be determined that the defendant has either (i) engaged in conduct, unknown to the Government at the time of the signing of this Agreement, that constitutes obstruction of justice or (ii) committed another crime after signing this agreement.

It is understood that pursuant to Sentencing Guidelines § 6B1.4(d), neither the Probation Department nor the Court is bound by the above Guidelines stipulation, either as to questions of fact or as to the determination of the proper Guidelines to apply to the facts. In the event that the Probation Department or the Court contemplates any Guidelines adjustments, departures, or calculations different from those stipulated to above, the parties reserve the right to answer any inquiries and to make all appropriate arguments concerning the same.

It is understood that the sentence to be imposed upon the defendant is determined solely by the Court. This Office cannot, and does not, make any promise or representation as to what sentence the defendant will receive. Moreover, it is understood that the defendant will have no right to withdraw his plea of guilty should the sentence imposed by the Court be outside the Stipulated Sentencing Range set forth above.

It is further agreed (i) that the defendant will not file a direct appeal, nor litigate under Title 28, United States Code, Section 2255 and/or Section 2241, any sentence within or below the Stipulated Sentencing Range (18 to 24 months) set forth above and (ii) that the Government will not appeal any sentence within or above the Stipulated Sentencing Range (18 to 24 months). This provision is binding on the parties even if the Court employs a Guidelines analysis different from that stipulated to herein. Furthermore, it is agreed that any appeal as to the defendant's sentence that is not foreclosed by this provision will be limited to that portion of the sentencing calculation that is inconsistent with (or not addressed by) the above stipulation.

The defendant hereby acknowledges that he has accepted this Agreement and decided to plead guilty because he is in fact guilty. By entering this plea of guilty, the defendant waives any and all right to withdraw his plea or to attack his conviction, either on direct appeal or collaterally, on the ground that the Government has failed to produce any discovery material, Jencks Act material, exculpatory material pursuant to Brady v. Maryland, 373 U.S. 83 (1963), other than information establishing the factual innocence of the defendant, and impeachment material pursuant to Giglio v. United States, 405 U.S. 150 (1972), that has not already been produced as of the date of the signing of this Agreement.

It is further agreed that should the convictions following defendant's pleas of guilty pursuant to this Agreement be vacated for any reason, then any prosecution that is not time-barred by the applicable statute of limitations on the date of the signing of this agreement (including any counts that the Government has agreed to dismiss at sentencing pursuant to this Agreement) may be

Ira Lee Sorkin
May 8, 2003

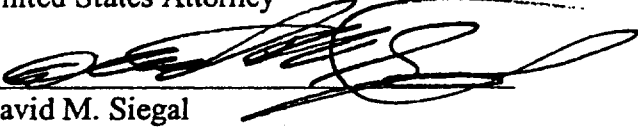
commenced or reinstated against defendant, notwithstanding the expiration of the statute of limitations between the signing of this Agreement and the commencement or reinstatement of such prosecution. It is the intent of this Agreement to waive all defenses based on the statute of limitations with respect to any prosecution that is not time-barred on the date that this Agreement is signed.

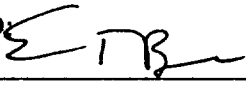
It is further understood that this Agreement does not bind any federal, state, or local prosecuting authority other than this Office.

Apart from any written Proffer Agreement(s) that may have been entered into between this Office and defendant, this Agreement supersedes any prior understandings, promises, or conditions between this Office and defendant. No additional understandings, promises, or conditions have been entered into other than those set forth in this Agreement, and none will be entered into unless in writing and signed by all parties.

Very truly yours,

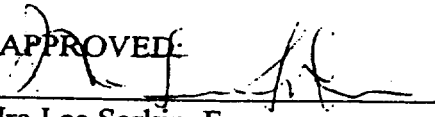
JAMES B. COMEY
United States Attorney

By: 
David M. Siegal
Assistant United States Attorney
(212) 637-2281

APPROVED: 
Evan T. Barr
Chief, Major Crimes Unit

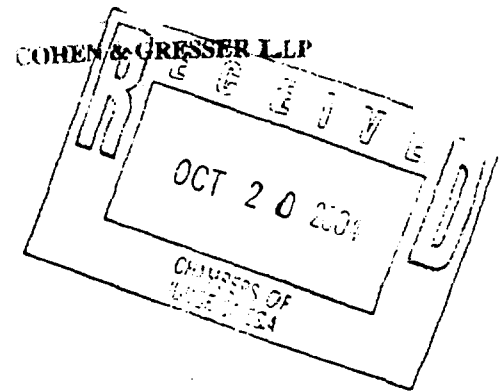
AGREED AND CONSENTED TO:

 5/22/03
John Angelides DATE

APPROVED:  5.22.03
Ira Lee Sorkin, Esq. DATE
Attorney for John Angelides

OCT 25 2004

COHEN & GRESSER LLP
666 FIFTH AVENUE, 26TH FLOOR
NEW YORK, N.Y. 10103
TELEPHONE (212) 957-7600
FAX (212) 957-4514



Mark S. Cohen
Direct Dial: (212) 957-7601
Email: mcohen@cohengresser.com

October 19, 2004

BY HAND

Hon. Thomas P. Griesa
United States District Judge
Daniel Patrick Moynihan United States Courthouse
500 Pearl Street, Room 1630
New York, New York 10007-1312

MEMO ENDORSED

Re: United States of America v. John Angelides, et al,
Docket No. 03 Cr. 635-01 (TPG)

Dear Judge Griesa:

Along with my co-counsel, Ira Sorkin of Carter Ledyard & Milburn, I represent the defendant John Angelides. Mr. Angelides pleaded guilty before Your Honor on May 22, 2003. His sentencing is currently scheduled for November 9, 2004. I am writing to request that his sentencing be adjourned.

As Your Honor has previously been advised, Mr. Angelides is in a precarious medical condition. He is being treated for stage IV metastasized non-small cell lung and brain cancer. He has a very short life expectancy. For this reason, Mr. Angelides' sentencing was previously deferred for six months, at our request, with the consent of the United States Attorney. Your Honor also excused Mr. Angelides from all reporting requirements, on the consent of Pre Trial Services and the United States Attorney.

I enclose a letter from Mr. Angelides' physician, Dr. Jorge Gomez, of Memorial Sloan-Kettering Cancer Center, to update the Court's information. As of September 20, 2004, Mr. Angelides had received brain radiation and six cycles of chemotherapy. During follow-up examinations, it was found that the lung cancer had started to grow again, and Mr. Angelides began experimental treatments. Mr. Angelides is to be monitored and take new drugs. Mr. Angelides' medical appointment calendar (also enclosed) shows that he is scheduled for follow-up examinations on October 18, October 28, and November 1 - i.e., at frequent intervals.

I respectfully request that, for the next six months, Mr. Angelides be permitted to continue devoting his mental and physical energy entirely to his treatment. I do not

Approved. Adjourned to 5/12/05.
Thomas P. Griesa

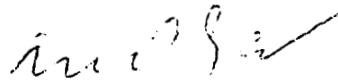
COHEN & GRESSER LLP

Honorable Thomas P. Greisa
October 19, 2004
Page 2

believe that Mr. Angelides is mentally or physically able to proceed with sentencing at this time.

Accordingly, I request that sentencing be adjourned for a period of six months. I have spoken to Assistant United States Attorney David Siegal, who consents to this request.

Respectfully submitted,



Mark S. Cohen

Enclosure

cc: A.U.S.A. David Siegal
United States Attorney's Office
United States Attorney for the Southern
District of New York
One St. Andrew's Plaza
New York, NY 10007

Ira L. Sorkin, Esq.
Carter Ledyard & Milburn LLP
2 Wall Street
13th Floor
New York, NY 10005



*Jorge E. Gomez, MD
Thoracic Oncology Service*

September 20, 2004

Re: John Angelides

To Whom It May Concern:

Mr. Angelides is a 66 year old man with stage IV non-small cell lung cancer with metastatic disease to the brain. He has received six cycles of chemotherapy with paclitaxel and carboplatin and is now under observation. He has also had whole brain radiation. As of 4/12/04, Mr. Angelides will come to our clinic every three months with a new CT scan of the chest. The June CT scan showed that the lung cancer has started to grown again. Mr. Angelides made a decision to go with experimental therapy. We will monitor his condition with the new drugs, RAD 001 and Iressa. A new MRI of the brain performed on June 14 showed stable disease.

If there is any additional information that you may require please contact my office at (212)-639-3042.

Sincerely,

Gomez / JR
Jorge E. Gomez, M.D.
Thoracic Oncology Service

*Memorial Sloan-Kettering Cancer Center
1275 York Avenue, New York, New York 10021
Telephone 212.639.3042 • FAX 212.794.4357
NCI-designated Comprehensive Cancer Center*



FAX COVERSHEET

Date 10/4/04
 Number of Pages Including Cover 2

TO: Mr. Angelides

FROM: Dr. Gomez's
Clinic

PHONE: _____

PHONE: _____

FAX: _____

FAX: _____

This message is intended for the use of the individual or entity to which it is addressed and may contain information that is confidential and exempt from disclosure under the Freedom of Information Act. If the sender of this message is not the intended recipient, or the person responsible for delivering the message to the intended recipient, you are hereby notified that any dissemination or copying of the information is strictly prohibited. If you receive this communication in error, please inform the sender immediately by e-mail and return this original message to us in the above address via regular postage.

(213) _____
 Thank you,

Memorial Sloan-Kettering Cancer Center
 1275 York Avenue, New York, New York 10021
 NCI-designated Comprehensive Cancer Center

MEMORIAL HOSPITAL FOR CANCER AND ALLIED DISEASES

John G Angelides
758 Todt Hill Road
Staten Island, NY 10304

MRN: 00958381
Home #: 718-979-6163
Work #: 000-000-0000

Monday, Oct 18, 2004

11:00 AM Radiology
MRI
MSK Rockefeller Outpatient Pavilion
160 East 53rd Street, 8th Floor

Patient Instructions
Please arrive 30 minutes prior to your appointment time. Eating is permitted prior to your scan, but please eat lightly.

1:30 PM Alex Demopoulos
Follow Up Visit
Mskcc
1275 York Avenue

Thursday, Oct 28, 2004

5:00 PM Radiology
CT Scan
MSK Main Campus
1275 York Avenue

Patient Instructions
Please arrive 30 minutes prior to your appointment time.

Monday, Nov 01, 2004

12:30 PM Jorge Gomez, MD
Follow Up Visit
MSK Rockefeller Outpatient Pavilion
160 East 53rd Street, 8th Floor
212-639-3042

Patient Instructions
Please arrive 30 minutes prior to your appointment time.



OFFICE OF INSPECTOR GENERAL

MEMORANDUM

DATE: May 19, 2004

TO: Chairman

FROM: Inspector General

SUBJECT: Report on Audit of the E-rate Program at St. Augustine School

The Office of Inspector General (OIG) has completed an audit at St. Augustine School (St. Augustine), a beneficiary of the Universal Service Fund (USF). A copy of our audit report no. 02-AUD-02-04-017, entitled "Report on Audit of the E-rate Program at St. Augustine School" is attached. The objective of this audit was to assess the beneficiary's compliance with the rules and requirements of the USF program and to identify program areas which may need improvement.

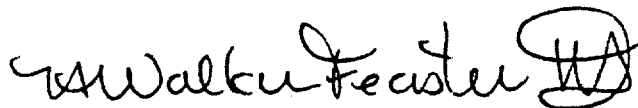
We concluded that St. Augustine was not compliant with the requirements of the program for funding years 1998, 1999 and 2000. The audit resulted in four (4) specific findings and \$21,600 identified as potential fund recoveries. We recommend that the Wireline Competition Bureau direct the Universal Service Administrative Company (USAC) to recover \$21,600 disbursed on behalf of St. Augustine in funding years 1998 and 1999 (no recoveries relate to funding year 2000). In addition, we recommend that the Wireline Competition Bureau take steps to ensure that funding requests are adequately reviewed in accordance with existing program rules and implementing procedures to make certain that funding requests associated with these areas of noncompliance with program rules and regulations are not approved. Further, we recommend that the Wireline Competition Bureau review those program rules and implementing procedures governing the areas of noncompliance cited in this report to ensure that those program rules and implementing procedures are adequate to protect the interests of the fund.

We held an exit conference on March 30, 2004 with the beneficiary's representatives, and requested their comments on the results of the audit. They verbally concurred with the results of the audit, but did not provide a written response.

We provided management with a copy of our draft report on April 29, 2004 and requested they provide comments on their concurrence with the findings of the audit. In a response dated May 11, 2004, the Wireline Competition Bureau (WCB) indicated that

they concurred with our three audit recommendations. WCB's response is included in its entirety in the Appendix to this report.

If you have any questions, please contact Thomas Cline, Assistant Inspector General for Audits, at (202) 418-7890.

A handwritten signature in black ink, reading "H. Walker Feaster III". The signature is stylized with a large, looped "H" and a circular flourish at the end.

H. Walker Feaster III

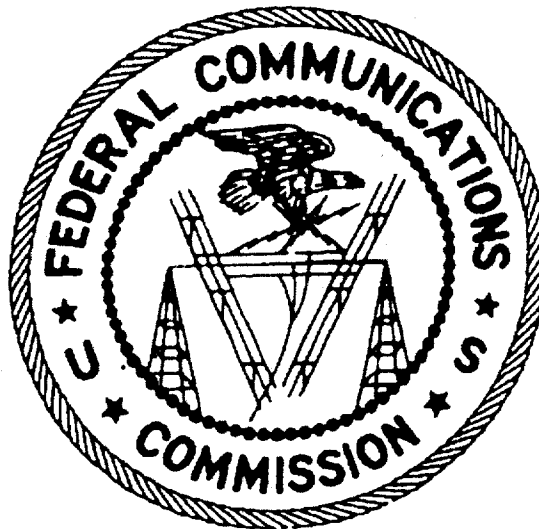
Attachment

Copy furnished:

Ms. Cathryn Trapp, Principal, St. Augustine School
George McDonald, Vice President, Schools and Libraries Division, USAC
Chief, Wireline Competition Bureau
Performance Evaluation and Records Management, FCC Office of Managing Director

FEDERAL COMMUNICATIONS COMMISSION

OFFICE OF INSPECTOR GENERAL



Report on Audit of the E-Rate Program at St. Augustine School

Report No. 02-AUD-02-04-017
May 19, 2004

H. Walker Feaster III
Inspector General

Thomas C. Cline
Assistant Inspector General for Audit

Joseph Paretti
Senior Auditor

Thomas D. Bennett
Assistant Inspector General – USF Oversight